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FOREIGN SERVICE DESPATCH

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FROM: AMEMBASSY, GUATEMALA

September 3, 1954

TO : The Department of State, Washington

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ACTION
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SUBJECT: Action Joint Weeka No. 9 for State, Army and Air Departments From S. Guatemala

Action Assigned to [illegible]

Action [illegible] 9-7-54

Symbol [illegible]

SUMMARY

Guatemala this week came to another turning point when Lieutenant Colonel Carlos CASTILLO Armas assumed power as President of the Republic on September [illegible] following the dissolution of the Junta by the voluntary resignations of the other two members, Colonel Elfego MONZON and Major Enrique CLIVA. Despite some apprehension as to how the Army might react to Monzón's leaving, Guatemala's fifth change of government in two months took place without immediate incident due possibly to the precautionary security measures previously taken by the government and Monzón's own work toward convincing the officers' corps that his resignation was voluntary and necessary to unify the government. In his first speech Castillo assured the nation elections for a Constituent Assembly would be called soon, and outlined a program including immediate initiation of public works to increase employment, early resumption of an Agrarian Reform, and support of free, non-political labor unions.

The change came as Guatemala's confidence in the Junta was steadily draining away. Its anti-Communist policy, long regarded as lax and inept, was held up to public ridicule when the Communist leader Victor Manuel GUTIERREZ succeeded in slipping past the guard into the Argentine Embassy after foiling police attempts to find him for two months. Unemployment was larger than in the Arbenz regime, local investors had no confidence in the government, and officials working in a state of political factionalism had done little but draw up broad plans for national recovery.

Castillo's assumption of power alone gave at least an opportunity to reverse this trend. Despite the discernable opposition to the move of the Army, the Liberal faction, and some other quarters, the general public and the press appeared favorable to the concentration of power in one person and disposed to give the new President a chance. The three major anti-Communist organizations, PUA, CEUA, and PIACO, formed a Coordinating Committee with the name of "National Anti-Communist Front" as a first step toward consolidating the regime's hitherto quarreling political support. A Technical Cooperation Agreement,

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opening the way for U.S. aid to Guatemala, was signed here on September 1. The Cabinet resigned to give Castillo a free hand in organizing a stronger government, and he himself appeared to realize that he was face to face with perhaps a last opportunity to demonstrate he could govern.

DOMESTIC AFFAIRS

Castillo Armas Assumes Power as President: As the political situation of the Junta of Government continued to deteriorate early in the week, Colonel Elfego H. Monzón changed his mind about remaining on the Junta and on August 30 tendered his unconditional resignation in private to Castillo. He had earlier intended to remain on the Junta until the restoration of Constitutional government, but now felt that while he had tried to work loyally for the elimination of Communism and reconstruction of the country, the "politicians" had never ceased to try to set one member of the Junta against another, and that in the circumstances it was best for him and Major Oliva to resign from the Junta. He convinced all non-partisan observers who saw him during these days of his sincerity.

Despite some apprehension inside and outside of the government, the assumption of power by Castillo as sole head of government took place without incident during the first two days. The resignations of Monzón and Oliva and the assumption of power by Castillo as "President of the Republic" were announced at a ceremony on September 1, but not until after the government had taken the precaution to disperse the Corps of Cadets under guard outside of the city and to take other security measures to guard against the most likely danger: that of a military uprising. Immediately after Castillo's investiture as President, he visited all the garrisons in the capital in the company of Monzón and Oliva, who assured the officers that their resignations were voluntary. The senior officers, in turn, pledged their loyalty to the new President.

On the basis of the inconclusive information now available, it appears that Castillo's assumption of the Presidency was generally well received despite sharp opposition in specific quarters. The public was relieved that the government was at last vested in a single person and hopeful that matters would take a turn for the better. The Guatemala City press has also taken this attitude. Some of Castillo's devoted followers in political circles were elated, but there was at first some grumbling among his following about his unprecedented assumption of the title of "President of the Republic" without elections, and about other signs regarded as precursors of dictatorship. The Liberal, anti-clerical faction on the other hand was frankly furious, considering the whole affair to be a maneuver by the Church party. It is also known that some regular Army officers--how many is not clear--considered that Monzón's resignation annulled

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the San Salvador Pact of July 2 by which the Army and Castillo composed their differences, and that they were therefore released from obligations of loyalty.

Castillo thus entered an unsettled atmosphere, but seemed conscious of the fact that he must produce results to meet pressing problems of political uncertainty, economic depression, and unrest in the military. In his first speech, delivered to a cheering crowd from the National Palace balcony yesterday afternoon (September 2) he assured the country that he would soon call for elections for a Constituent Assembly, announced work would start almost immediately on the Pan American Highway and other public projects to sop up unemployment, indicated he would support an agrarian reform program and free labor unions, and outlined a program for improving the military service. To what extent these assurances have dissipated the fears of his opponents is, of course, not yet clear. Meanwhile, Monzón was designated Ambassador to go soon on a special mission to the United States to discuss aid while Oliva was appointed to the new post of General Minister for Coordination of the Government.

Gutiérrez Slips Into the Argentine Embassy: On August 29, Víctor Manuel Gutiérrez, Guatemala's former Communist labor boss, dealt the government's anti-Communist campaign what was widely regarded as an insulting blow by slipping past the cordon of policemen and soldiers which surrounded the Argentine Embassy to take asylum after the authorities had spent two months looking for him in vain. In the atmosphere of widespread contempt for the government's leaden-shoed efforts to catch Communists, few bothered to weigh a more hopeful significance of Gutiérrez' act: that in two months underground he had apparently reached the conclusion that there were no immediate prospects of a Communist comeback and that it was no longer worthwhile for him to risk capture.

The danger of a Communist underground organization, however, was not past. Five of the party's ruling Political Committee--ALVARADO Monzón, SILVA Jonama, RAMOS, ARDON, and VALLE--were still unaccounted for as well as other trained party leaders. The faces of these Communists were much less well known to the public than those of Gutiérrez, and they had better opportunity to move about freely.

Grand Masonic Lodge: In a move which touched off further apprehensions that Castillo Armas was falling under the control of the extreme clerical party, the Junta on August 26 issued a decree dissolving the Grand Masonic Lodge on the grounds of Communist infiltration, but allowing the constituent Lodges to reorganize. The Grand Master of the Lodge and many Liberals immediately jumped to the conclusion that the Church and its adherents were out to suppress the Masonic orders, a conclusion understandable only in the context

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of the fact that anti-Masonic feeling was so strong among the clerical party that it insistently spread the false rumor that Ambassador Peurifoy had propitiated the inclusion of Monzón on the Junta because both were Masons (the Ambassador is not, and there is no evidence Monzón is).

Actually the dissolution of the Masonic Grand Lodge appeared to be no more than a further illustration of the ineptness with which the government was solving its problems. The problem in this case was that in the final days of the Arbenz regime the leadership of the Grand Lodge had allowed itself to be pressured into sending telegrams supporting Arbenz propaganda to Masonic Lodges abroad, and the present government consequently thought it ought to be removed. But instead of forcibly pressuring the membership to do this, the Junta clumsily issued a decree which appeared to taint the local Masonic order with Communism. Immediately after the publication of the decree on August 30, the Grand Lodge was organized with a new leadership which undertook to purge the body. There were no known Communist party members among the Masons although Carlos GONZALEZ Orellana, Arbenz' Secretary of Publicity, Marco Antonio VILLAMAR Contreras, ex-Deputy, and Julio C[illegible] Padilla, ex-labor judge, all men of the pro-Communist left, were members reportedly of some influence.

FOREIGN AFFAIRS

Exodus of Arbenz Government Begins: Following the Government's decision to grant safeconducts on a mass scale to the Communists and other figures in the Arbenz regime now in asylum in foreign embassies, the exodus of these persons began on August 27 with the departure of 27 persons from the Mexican and Panamanian Embassies and other groups continued to leave the country for the rest of the week. Complete data on departures are not available, but it appears that over 100 left during the week, including two groups of Spanish refugees to Mexico and many known Guatemalan Communists. A flight of five Argentine Government planes is scheduled to arrive here over the weekend of September 4-5 to carry away the approximately 190 persons (except Gutiérrez) who remain in the Argentine Embassy.

The Foreign Ministry gave the press a list of 22 persons for whom safeconducts had not yet been handed over pending determination of criminal charges. It included ex-President Arbenz, his henchman Alfonso MARTINEZ, the ex-secret police chief of Cuba Eufemio FERNANDEZ, several ex-Cabinet Ministers, the Guatemalan Communist party chief José Manuel FORTUNY, but not other leading Communists such as Carlos Manuel PELLECER and José Alberto CARDOZA. The Ministry said the list was not complete.

Meanwhile, the government shipped a score of persons who had voluntarily left asylum to the remote agricultural colony of Poptún

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in the Petén, a place which can feasibly be reached only by air. This move, done under the authority of the anti-Communist decree issued last week, effectively stopped any more people from leaving the missions, but drew criticism in press and Latin American diplomatic circles as establishing a concentration camp.

Status of Recognition of the Government: In the document effecting the designation of Castillo as President and the resignations of Monzón and Oliva, the government sought to avoid raising the problem of recognition by foreign governments by stating explicitly that the change did not effect the continuity of the regime. Guatemala thus takes the view that no new recognition is required and it has thus far not been challenged on this point of international law.

ECONOMIC

U.S.-Guatemalan Technical Agreement Signed: The Ambassador and Foreign Minister SALAZAR on September 1 signed a Technical Cooperation Agreement between the U.S. and Guatemala as the initial step in providing U.S. assistance for a variety of projects designed to assist Guatemala's economic development. The next step will be to negotiate subsidiary agreement for specific program, which must await the assignment to Guatemala by FOA of a Country Director. All officials and observers are agreed that the sooner the flow of aid begins the better, for unemployment continues to grow and business to be slow.

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